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DEVELOPMENT OF MARKET POTENTIALS FOR INCOME-PRODUCING RECREATION

by

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Resource Development Economics Division

Prepared for delivery before  
Recreation and Wildlife Committee of  
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# Development of Market Potentials for Income-Producing Recreation

by

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The title of my paper begins with the word "development." This term implies that the market for income-producing recreation must be created. With regard to most farmers and rural landowners entering this new business, the implication is true.

Selling recreation is likely to be a new experience for farmers and most other rural landowners. Unlike wheat or corn, the "product" is not standardized and there is no established market in the true sense of the term as applied to other more tangible commodities.

Farmers or rural landowners going into the income-producing recreation business are selling the use of a facility or a service. This will be a new way of operation for most of them. It will require a new set of skills and abilities.

For those used to marketing a commodity--an impersonal product--selling recreation will be different. The operator will now have to meet people, his customers, and cater to their desires. The marketing becomes highly personalized and requires skillful insights as to what people want in the way of recreation services and facilities.

In many cases, perhaps the landowner has been used to letting city folks fish, hunt, camp, or picnic on his land as a courtesy. These are amenities that in the past have customarily been provided without charge. Going into income-producing recreation involves a change in the old way

of operating. The individual landowner or operator will have to set a price on the use of recreation facilities and on the services he provides, just as he does for any other product or service produced on his land in combination with his labor and management.

In developing the market potential for income-producing recreation, the real objective is to bring the buyer and seller together in order that they may strike a bargain. Information about demand and supply is an essential element for bargaining and for development of a market for any product or service. Recreation is no exception to this rule. Thus, a discussion of market potentials should include considerations of the factors relevant to the particular situation.

Let me discuss demand first. I will be brief and will try not to bore you with a lot of statistics, although some figures are necessary to help one evaluate the situation.

That total outdoor recreation demand, in general, is high and rising at a rapid rate seems to be an accepted fact. To quote the report of the Outdoor Recreation Resources Review Commission (ORRRC) "Outdoor Recreation for America," ". . . demand is large, and it is growing. Not only are there more people; individually they are seeking the outdoors at a growing rate, and they are likely to do so even more over the coming decades." The Commission predicted a three-fold increase in overall recreation demand by the year 2000. This estimate was based on projections for a sizable list of activities, including driving for pleasure, walking for pleasure, playing outdoor games and sports, swimming, sightseeing, bicycling, fishing, hunting,

attending sports events, camping, and several others. Many of these activities are urban based or are of such nature--like driving for pleasure--that they are not readily marketable by farmers or rural landowners. Much of the demand for certain activities such as playgrounds, sports areas, walking paths and sidewalks, bicycling, and the like can, and probably will, be supplied within the urban and suburban areas themselves.

From analysis of the ORRRC demand projections, one other fact has particular relevance to the potential market for income-producing recreation. This is, that participation projections vary greatly between the types of recreation activities for which ORRRC made forecasts to the year 2000. For example, driving for pleasure accounts for 17 percent of the total number of recreation occasions (the number of separate days on which persons engaged in the activity) projected for the year 2000. In contrast, such activities as picnicking accounted for only 7 percent of the forecasted participation for the year 2000; fishing, 4 percent; boating (other than canoeing and sailing,) 5 percent; camping, about 3 percent; and hunting less than 2 percent. These statistics are cited merely to illustrate that the demand will not be evenly distributed, especially among the types of activities that can be readily marketed by farmers or other rural landowners.

From the foregoing comparisons it can be seen that overall recreation demand is of only limited value with relation to development of market potentials for specific enterprises and locations. To be meaningful in terms of market potentials, the demand must be broken down in terms of certain activities, or at least for related groups of

activities -- such as swimming and water skiing. It must also be related to specific market areas. The demand for recreation, per se, cannot readily be related to supply; it must be broken down into activities whose requirements for resources can be aggregated and appraised for given market areas.

Another factor complicates the projection of recreation demands as they relate to market potentials for income-producing enterprises. Recreation demand is subjective, and differs in nature from the demand for market-priced items such as food. Recreation depends on spending discretionary income to effectuate demand. In a nontechnical sense, supply stimulates effective demand. Take, for example, the great increase in recreation activities arising when a new reservoir opens to the public. Until a reservoir becomes available, effective demand for use of the resources for recreation may be limited. These developments complicate the projection of recreation market potentials.

The importance of adequate demand for the facilities and services provided by operators of rural recreation enterprises cannot be overstressed. The operator may be able to hold down costs and provide excellent facilities and services, but if he fails to get customers in sufficient numbers to insure a profitable operation he is in financial trouble.

Results of five recent studies of farm recreation enterprises made by the Economic Research Service in cooperation with the States in five areas of the country illustrate the importance of customers on net income of operators. Studies were made in Missouri, Arkansas, Oregon, Ohio, and in the Northeast.

In citing reasons for the poor financial returns to many recreation enterprises, the authors of the ERS-Missouri cooperative study placed insufficient patronage high on the list. Most of the operators had less than 30 percent as many patrons as they could have handled during the peak recreational seasons.

In the Arkansas study sample, only about 68 percent of the farm recreation businesses were used to capacity during the peak quarter of the year.

The author of the ERS report for Oregon indicated lack of customers as the chief cause for low returns of farm recreation enterprises in that study area.

The seasonal nature of most types of recreational enterprises and the uneven patronage patterns were found to be major problems to operators of recreation enterprises included in the Ohio study sample.

In New England, it was found in the ERS study that operating an enterprise too small to be profitable was a major economic problem.

The data on use from the studies cited refer to the peak season of the year. Often the season is less than 6 months for many types of enterprises. These conditions make profitable operation difficult unless sufficient demand can be built up to operate at near capacity, at least during the peak season.

Findings from these studies are not conclusive. They refer to selected cases. The figures do, however, have relevance in pointing out the need for placing emphasis on knowing, or identifying a growing market before embarking on a recreation enterprise venture.

Before leaving the subject of economics, it is pertinent to point out some relevant recreation supply relationships. Land and water requirements are directly related to the types of recreation provided. For example, water naturally is necessary for swimming, boating, fishing, and water skiing. Picnicking, relaxing, camping, and hiking are land based activities, but a pond, lake, reservoir or stream also furnishes a desirable atmosphere for areas providing these kinds of recreation.

Carrying capacity, and thus potential supply of recreation resources, is more a function of management decisions than of acreage. Conversion of an area of low-intensity use for recreation such as hunting under natural environmental conditions, to one of high-intensity, such as picnicking or playgrounds which emphasizes facilities, greatly increases the capacity of an area to satisfy recreation demands.

Acreage alone is a poor indicator of the number of recreation opportunities available on a given area. Some activities require little land, and often these are the most popular forms of recreation that can be supplied by farmers and rural landowners. For example, picnicking, camping, and swimming do not require extensive acreages to provide recreation opportunities for a large number of people. Often the land and water resources designated for recreation furnish the base for several recreational activities and may also supplement other enterprises. Thus, a farm pond or lake may provide opportunities for fishing, boating, and swimming--and at the same time provide a water supply for other purposes.

Location is another important factor affecting the recreation demand. Much of the total use of the simple types of recreation is day use -- in contrast to the long-distance travel associated with annual vacation trips. The market potential is different for day use and weekend use than for long-distance major vacation use. Farmers and rural landowners probably can be most effective in meeting the demands for day and weekend recreation. In most areas, farms relatively close to cities could provide the most wanted recreation opportunities.

A thorough knowledge of the competition, both public and private, is essential for analyzing the supply of recreation facilities in a given area. Careful planning will help one avoid making investments in enterprises for which the supply is already adequate to meet the potential market demand.

Now that we have covered some basic background factors, I would like to explore with you some ideas relating more directly to developing market potentials. In doing this, perhaps one of the most important considerations is the potential customers. Who are they? What types of recreation do they want? Where do they live? What are their characteristics, and how do these characteristics relate to recreation demands?

In appraising the market potential, it is first necessary to ascertain some facts about the people or groups that might use the recreation facilities or services, and their desires relative to recreation. To begin with, we need to have at least two basic types of information:

1. The kind of group or individual who will use the recreation facilities and services. Who are the participants? That is, are they individuals or families? What is their general income level, their educational attainment, their age, and the amount of leisure time available?
2. The kinds of recreation activities that will be of most interest to the users, be they individuals or groups. Do they want intensive or extensive types of recreation? Do they want facilities for day use or weekend use? Do they want overnight facilities, campgrounds, guesthouses, trailer parks, motels, or what?

These two sets of basic requirements, the characteristics of the people who want recreation and the kind of recreation they want, are essential elements needed in determining the market potential for income-producing recreation facilities.

Some data are available concerning what kinds of people use recreation areas and the activities they engage in when they visit the areas. These data should be helpful, in a general way, in making an appraisal of market potentials in any area.

Statistics from an Outdoor Recreation Resources Review Commission study of 24 public recreation areas have relevance also to private recreation areas. In this study, it was found that about three-fourths of the visitors to these areas in the late summer of 1960 were family groups. We can verify these statistics if we observe the intensive use of recreation areas made by families throughout the country during any summer weekend.

A more recent study of farm recreation enterprises, conducted in Arkansas in the fall of 1962, indicates a similar trend for users of private recreation enterprises. For example, with the exception of hunting preserves, a majority of the visitors to most types of enterprises were family groups. These included 86 percent for fishing lakes, 78 percent for float trips, 68 percent for boating areas, 57 percent for campgrounds, and 56 percent for visitors to dude ranches.

Age tends to limit activities such as swimming or bicycling, whereas picnicking, fishing, camping, and walking for pleasure appeal to all age groups.

Income of participants has a decided effect on use of recreation facilities. Participation in certain kinds and qualities of outdoor recreation activities tends to rise as family income increases.

Education also affects participation much the same as income does. Those people with the most years of schooling tend to engage in recreation activities more than those with only average or below-average schooling.

Leisure time affords people an opportunity to use some of it for outdoor recreation. But many activities compete for use of leisure time. Much of this time may be spent in reading, listening to music, watching television, and a whole host of other activities not directly related to outdoor recreation.

Now, as to the other major facet of the problem, let us consider the kinds of outdoor recreation activities that people like best to do

on their outings. Again, I would like to cite some data from two ORRRC studies.

A list of major activities in which user groups participated was included in the ORRRC study of 24 public recreation areas. In percentage terms, the activities that groups most frequently engaged in were:

1. Just relaxing out of doors (53 percent).
2. Picnicking (51 percent).
3. Swimming (43 percent).
4. Walking to sightsee (40 percent).
5. Camping (29 percent).
6. Trail hiking (24 percent).

Another ORRRC study, dealing with the frequency of participation in outdoor recreation, indicated that relaxing, picnicking, swimming, fishing, boating, and camping were high on the list of things people did most when they engaged in outdoor recreation.

Data from the studies cited and others indicate that family groups provide the basic unit for most outdoor recreation activities and that the kinds of recreation most frequently sought are the relatively simple types, many of which can be supplied by farmers or other rural landowners. Families, however, usually want conveniences and many of the comforts of urban living in overnight accommodations. They also want a variety of activities available--something of interest to all members of the family.

Unfortunately, the research needed to measure demand for outdoor recreation for small market areas has not yet been done. Sophisticated

demand analysis studies are very complex and costly. Useful insights, however, can be gained by relatively simple, carefully designed, surveys of potential users of the specific recreation facilities and services provided in an area. Such sample surveys of both rural and urban local people might be done, for example, by the Soil Conservation District, acting through State committees or commissions. Such surveys of both organized groups and individuals would provide useful information for decision making purposes.

The Soil Conservation District would appear to be a feasible unit for conducting surveys of recreation market potentials within the district. If a larger area appeared appropriate as the recreation planning unit, two or more districts might join forces to make the survey. This procedure might be particularly relevant when an urban area outside the district is expected to provide the demand for facilities in the district planning the survey. This survey would be directed toward finding out the desires of local people for income-producing recreation. It would contain questions on recreation desires and characteristics of the respondents.

Such surveys could provide a large part of the basic data needed to plan a program for satisfying local peoples' unfilled recreation demands. The survey would give an insight as to what facilities and services are needed. With this information in hand, your local planning efforts can be concentrated on providing the recreation facilities and services for which the area, and the farmers and rural landowners, possess an advantage in providing. You might even carry

your planning to the extent of determining priorities for recreation development so as to relate it to the income and other characteristics of the prospective users.

The demand data obtained must be related to the available sources for satisfying the needs. Thus, a brief inventory of the supply of recreation facilities and services in the area is also necessary. Both public and private recreation supplies should be appraised in evaluating the market demand potential for commercial enterprises. Information on public facilities is usually readily available from secondary sources, but a survey may be necessary to obtain information about the supply of private recreation facilities and services in your market area.

Your district probably can get help in making recreation needs surveys and supply inventories from Federal and State agencies, State college or university technical and professional personnel. This help would include cooperation in selecting a sample, designing survey schedules, and in analyzing the data obtained. If the sample were sufficiently large, and properly designed, the data might be used by college or university graduate students for their thesis projects. Thus, the survey might help the operators of potential commercial enterprises, the district, students, and educational institutions.

To arouse interest and enlist support for the recreation demand survey, and for the recreation businesses themselves, it might be feasible to work with civic groups in the local towns and cities.

Industrial groups and labor unions might also be interested in using local recreation facilities either on an individual or group basis, and they might be glad to participate in a survey of their members.

As recreation enterprises get underway, every effort must be taken to give good services and provide high-quality facilities. The objective should be to build up good will and insure that customers come again.

Help in getting customers for the recreation enterprises should be sought in a variety of ways. Word of mouth advertising is important, and satisfied clients can build up demand for a specific place by telling their friends about it. Advertising of various kinds will be needed to acquaint the public with the facilities and services available. Radio, newspapers, magazines, outdoor signs, and other forms of direct communication will be helpful.

Your district, acting through the State association, could start and maintain a listing of recreation facilities and services available in your local areas. You could also encourage operators to set and maintain high-quality standards for the recreation facilities and services offered to the public. This service would help in advertising the recreation advantages of your area.

Some operators report success in booking reservations for farm vacations, use of hunting preserves, and various overnight facilities through booths set up at sportsmens' shows, fairs, boat shows, sporting goods equipment demonstrations, and the like. Full advantage should be

taken of all such public gatherings to let the people know about the recreation that your area can furnish.

If the district is so situated that it can intercept major vacation traffic, then this potential market might be tapped. Perhaps traffic and tourist studies have already been made by your State Highway Department, Tourist Bureau, or university. If such studies are available you can use them in appraising the vacation demand. The same factors apply with out-of-the-area visitors as with local people. The facilities and services should be of high quality and reasonably priced so as to build up the volume of business to a profitable level. The potential market for tourist-type recreation is generally seasonal in most areas, and this must be taken into consideration in providing facilities and services.

In developing private facilities, full advantage should be taken of the drawing power of any nearby public parks, forests, and other recreation areas, as well as of other private recreation developments. Frequently, public recreation areas provide the incentive for people to come to an area. Once they have made the trip, it is often possible that they will want to use the private facilities, such as campgrounds, trailer parks, motels, or some of the day use facilities and services.

The increasing interest and involvement of the USDA in working with farmers and other rural landowners in promoting private rural recreation developments for profit highlights the need for coordinating such activities with the public recreation sector of the economy. It must be remembered that the Nation (according to an ORRRC study) had

23<sup>4</sup> million acres of land in public recreation areas in the 48 contiguous States in 1960. This amounted to over 12 percent of the country's total land in the 48 States.

Many States, for example, New York, Pennsylvania, and Wisconsin, among others, have big public recreation development programs underway. The Bureau of Outdoor Recreation is sponsoring the Land and Water Conservation Fund Bill that will provide hundreds of millions of dollars for planning and developing public recreation resources. Public facilities, of necessity, do and will compete for the present and potential recreation demands of the American people. The private income-producing recreation facilities must be "geared" into the total recreation plan for a State or area. It would be highly desirable for Soil Conservation District leaders to acquaint themselves with the Federal, State, and local government plans for developing recreation in or near their **district**. These plans will affect the market potential for income-producing recreation enterprises in the area. Plans for both public and private developments must be coordinated to avoid costly mistakes that may lead to overbuilding in some areas while others suffer from a lack of facilities.

In the foregoing discussion, I have pointed out some of the economic considerations relevant to appraising the market for commercial recreation enterprises. I have also enumerated several of the essential types of information needed to evaluate the market potential and outlined some ways of obtaining the needed facts. Now I want to re-emphasize and focus directly on the general steps that are of particular

relevance to developing the recreation market potential for a given area. These steps are as follows:

1. Delineate the market

A majority of the recreation seekers likely to use your facilities and services will probably come from towns and cities in, or adjacent to, your district. It is necessary, however, to try to determine specifically where you will draw your customers and how many of them you can count on to use your specific facilities and services. How much these potential customers will pay for specific facilities and services is important. Data from available research reports, other secondary sources, personal knowledge of the situation, and the experience of operators of recreation enterprises in the area will all provide some good information on the recreation preferences of people and the fees they would be willing to pay for facilities and services. Local surveys of the people in the area will probably be needed to supplement the readily available information, and to pinpoint the demand for the specific facilities and services provided. Keep in mind that you will have competition. Your market includes only those customers who can be induced to use your recreation facilities.

2. Determine the major characteristics of the people who make up the market

The number of people residing in your area or adjacent to it is not enough upon which to base market projections. You will also need to know such characteristics of the population as family income, age, education, leisure time, and the like. As I have

pointed out, these characteristics are related to recreation demands and all of them influence or affect participation in recreation. Your general knowledge of the structure of your community will be helpful in doing this analysis. But a survey to supplement your knowledge would be helpful to give you information on proportions of the population falling into different groups. A detailed survey to obtain such data might be too complex and costly for most districts to undertake, but census information and other secondary statistics would be helpful for developing a base. A sample survey such as I have suggested might include a few questions on these major characteristics of the people in your market that would be helpful in evaluating census data.

It must be recognized that the money which will be spent for recreation will be over and above that needed for the necessities of life. In other words, discretionary income will be used to buy recreation. There will be many claimants for this income. Recreation will have to compete with other types of services and commodities for it.

### 3. Delineate the market for different types of recreation activities

Supply becomes a factor in this appraisal. Some recreation opportunities may be in surplus while shortages exist in others. Recreation demand, in total for a State or region, may have little meaning to a specific local market. Participation of people in recreation is different for the various types of recreation activities.

Each recreation activity in a specific area, such as a Soil Conservation District, will have a different prospective demand, and, therefore, a different potential market. Certain types of activities complement each other and the demand for them might be additive, but for others it is not. Examples of the first type are boating and fishing. The second type may be illustrated by snow skiing and picnicking. The demand, and thus the market potential, for recreation activities will likely increase at widely varying rates. For some types of activities, they may actually decline as peoples' tastes and habits change and new supplies become available.

4. Determine the possibilities of tapping distant markets

Vacation recreation which involves travel for considerable distances may be a potential source of recreation demand in your local area. Evaluations of the road network and traffic flows will help tell whether you can intercept some of the vacation-type, long-distance travelers enroute to major recreation destinations. Possibly your local market can be developed into a terminal point for some long-distance vacation travelers, if your area can furnish the types of attractions most of these people customarily seek.

5. Let the public know about your recreation opportunities.

This involves communication between the seller and the buyer. Much effort probably will be needed to bring the customers to your facilities. Most of the standardized ways of communicating with people and promoting use of your facilities and services will be called upon to realize your maximum potential market.

These rather generalized steps illustrate some courses of action you might take to build up the potential market for income-producing recreation facilities and services in your area.

I feel that the Soil Conservation Districts have a basic organization that can be used to initiate recreation surveys and market analyses. By acting through State committees or commissions they can obtain the information needed to develop potential markets in those areas that have something above the average to offer in the way of recreation opportunities.

The job will not be easy, but your districts are noted for this kind of leadership. It pays off in the end. Don't be afraid to ask for help from local groups, State and Federal agencies, educational institutions, or anyone else who can help solve technical and organizational problems. Your job is to provide the spark of leadership and to guide the planning effort. Qualified people in most communities usually can be found to help keep a program moving after it is outlined and underway. Soil Conservation Districts can provide the leadership needed to harness community energies for providing income producing recreation developments. Successful leadership will mean that your communities, as well as individuals, can share in the rewards from your efforts.

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